



**Knights of
Columbus**
Asset Advisors[®]

Benchmark Analysis:
Catholic investment principles
can achieve competitive results

Benchmark Analysis:

Catholic Investment Principles Can Achieve Competitive Results

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Introduction

With the advancement of Catholic Social Teaching (CST) and a greater acceptance of utilizing Catholic investment principles, it's important for fiduciaries to understand investment performance comparisons before they shift to a screened investment methodology. In a growing number of cases, Catholic investors have taken the stance that adherence to CST is more important than investment performance. However, as fiduciaries of institutional assets, these same investors want to understand the performance implications of shifting to Catholic-compliant investments.

In this paper, we explore performance differences between unscreened indexes and their Catholic-screened counterparts to understand the short-term and long-term implications and thereby answer the obvious question many investors ask: "Will I necessarily sacrifice investment performance to have my portfolio managed in compliance with Catholic Social Teaching?"

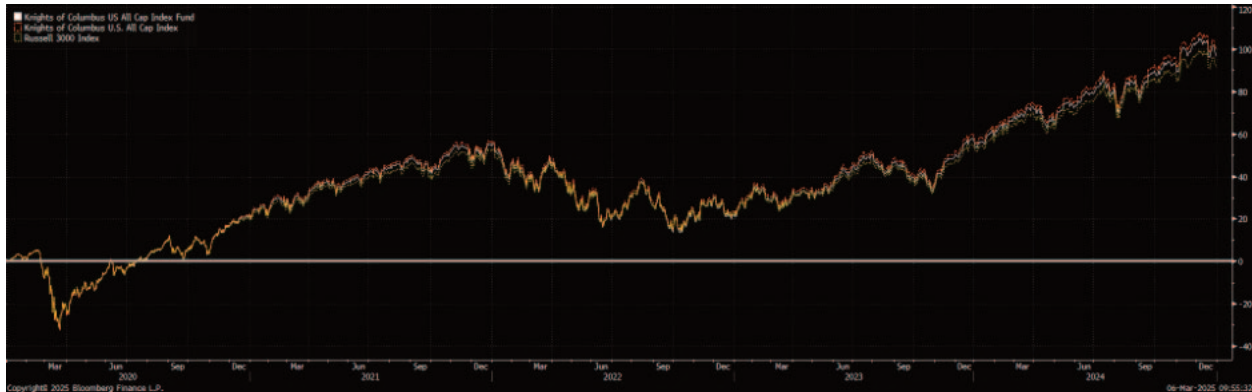
We are happy to report that shifting to Catholic-compliant benchmarks has not meant an automatic diminishment of portfolio return.

Historical Analysis

In 2019, Knights of Columbus Asset Advisors (KoCAA) developed a United States all-capitalization equity portfolio. The KoCAA All Cap Index Fund invests in the 3,000 largest stocks in the U.S. by market capitalization, minus those stocks that cannot be owned according to the investment guidelines of the United States Conference of Catholic Bishops (USCCB). To provide investors with a benchmark to compare the performance of the index fund versus an appropriate benchmark, KoCAA initially contracted with Solactive, a German index provider, that utilized the USCCB screens to calculate the Knights of Columbus U.S. All Cap Index. As of December 31, 2024, we have shifted this screening work to Bloomberg.

For the period 12/31/2019 to 2/28/2025, we observed the following results:

	Annualized Return
KOCAA All Cap Index Fund	14.09%
Knights of Columbus All Cap Index	14.38%
Russell 3000 Index	13.63%



Since inception, both the fund and the index have had a modest but positive excess return versus the Russell 3000. The fund has a total expense ratio of 25 basis points, so on a pre-fee basis, it achieved an implied gross return of 14.34% versus 14.38% for the benchmark. The index fund was rebalanced twice per year, prior to 12/31/2024. Going forward, the index will be rebalanced quarterly¹. The rebalancing of the index largely explains the gross-of-fee performance difference between the fund and its benchmark.

Improved Methodologies

Since we launched the fund in 2019, interest in Catholic investing has grown significantly in the United States. The 2022 release of *Mensuram Bonam* by the Vatican’s Pontifical Academy of Social Sciences has also been a major factor in calling greater attention to how Catholic investors can, and should, align their investments with CST. We needed to have a better means of comparing our performance versus various style benchmarks such as large cap core, international equity and small cap.

To meet that need, Bloomberg developed a fleet of seven Catholic Values Indexes that are meant to comply with the USCCB’s investing guidelines. Knights of Columbus Asset Advisors provided methodology support in helping Bloomberg to craft their framework for developing their index family. In the following pages, we will explore performance and structural differences between parent (unscreened) and Catholic indexes.

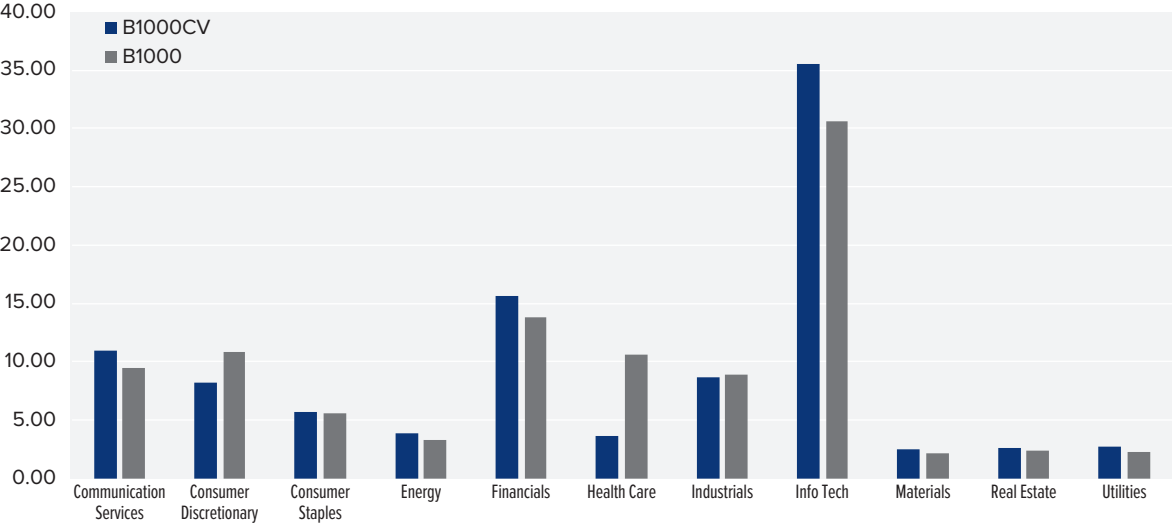
Working with Bloomberg

- ❖ Started with the “parent” Bloomberg equity index (eg: Bloomberg 1000 Index)
- ❖ Applied restrictions (Sustainalytics and KoCAA-derived) to remove uninvestable securities
- ❖ Reweighted remaining securities on a pro-rata basis, resulting in larger index weights for remaining securities
- ❖ Sector and industry group weights will differ based on the combination of restrictions and reweighting
- ❖ Example: Bloomberg 1000 Index
 - 88 securities were removed, accounting for 14% of the parent index
 - The remaining 908 securities are reweighted (shares * price/total market value)

¹ Index constituents are adjusted semi-annually, in accordance with Bloomberg Index semi-annual rebalancing process. Catholic-restrictions are applied quarterly. See <https://assets.bbhub.io/professional/sites/27/Bloomberg-Equity-Catholic-Values-Index-Methodology.pdf>

TOP 5 CONSTITUENTS		
Ticker	B1000	B1000CV
AAPL	6.61	7.70
NVDA	5.77	6.72
MSFT	5.47	6.37
GOOG/GOOGL	3.50	4.08
META	2.67	3.11

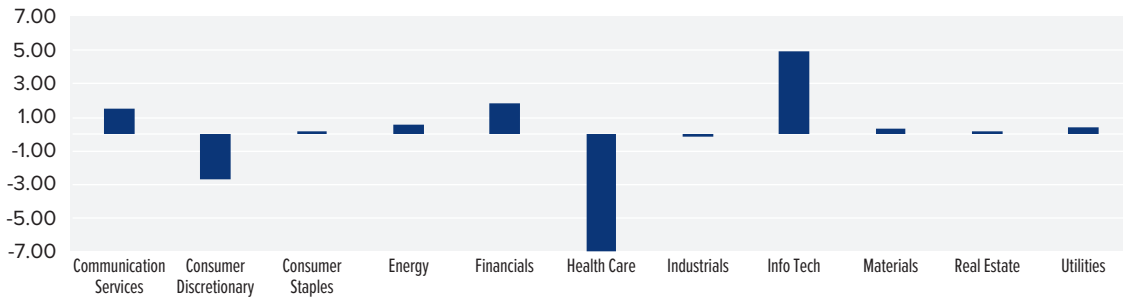
Beyond individual names, highly restricted sectors get smaller, and lightly restricted sectors get larger as a percentage of the index. In the following graphs, we look at the sector weights for the Bloomberg 1000 Catholic Values Index versus the Bloomberg 1000 Index. The subsequent graph identifies the absolute value differences between the sector weights of these two indexes.



The findings

The removal of restricted securities and reweighting of the portfolio has a meaningful impact on sector weights. In the following graph, we illustrate that in the Bloomberg 1000 Catholic Values Index, health care declines by 700 basis points while information technology grows by 500 basis points.

Sector Weight Difference: B1000CV – B1000



Returns greater than zero on this chart represent a higher sector weighting in the Bloomberg Catholic Values Index vs the parent Index. Returns less than zero indicate a lower sector weighting in the Bloomberg Catholic Values Index vs. the parent Index.

Periodic performance differences can be meaningful, given the differing performance of various sectors over the short term. The following graph plots the performance difference between the Bloomberg 1000 Catholic Values Index and the Bloomberg 1000 Index.

Cumulative Return Difference



Returns greater than zero on this chart represent outperformance by the Bloomberg 1000 Catholic Values Index, while returns less than zero represent underperformance by the Bloomberg 1000 Catholic Values Index.

To go a step further, the following table illustrates the performance of Bloomberg’s Catholic Values Indexes relative to their parent indexes at a style level. When comparing the returns since the September 9, 2021 inception, the Bloomberg Catholic Value Indexes have outperformed 6 of the 7 categories of the parent indexes.

	Index	Annualized as of 02/28/2025				Annual Returns			
		1 Yr	3 Yr	Inception*	2025 YTD	2024	2023	2022	2021*
Growth	Bloomberg 1000 Catholic Values Growth Factor Index	19.52%	13.62%	9.07%	-0.85%	30.54%	39.62%	-29.00%	5.36%
	Bloomberg 1000 Growth Index	18.12%	12.95%	8.46%	-0.47%	28.87%	36.11%	-27.47%	4.73%
	<i>Difference</i>	1.40%	0.67%	0.61%	-0.38%	1.67%	3.51%	-1.53%	0.63%
Core	Bloomberg 1000 Catholic Values Index	19.02%	12.41%	9.14%	0.90%	25.94%	29.87%	-21.85%	5.08%
	Bloomberg 1000 Index	17.78%	11.87%	9.01%	1.34%	24.23%	26.66%	-19.57%	5.22%
	<i>Difference</i>	1.24%	0.54%	0.13%	-0.44%	1.71%	3.21%	-2.28%	-0.14%
Value	Bloomberg 1000 Catholic Values Value Factor Index	18.07%	9.70%	9.70%	5.82%	15.21%	12.37%	-4.79%	5.75%
	Bloomberg 1000 Value Index	17.08%	9.10%	9.42%	6.23%	13.62%	9.37%	-2.51%	6.22%
	<i>Difference</i>	0.99%	0.60%	0.28%	-0.41%	1.59%	3.00%	-2.28%	-0.47%
Small	Bloomberg 2000 Catholic Values Index	7.59%	3.63%	1.16%	-3.54%	12.23%	17.12%	-19.05%	4.64%
	Bloomberg 2000 Index	7.65%	3.18%	0.56%	-3.41%	12.02%	17.09%	-20.08%	2.23%
	<i>Difference</i>	-0.06%	0.45%	0.60%	-0.13%	0.21%	0.03%	1.03%	2.41%
All Cap	Bloomberg 3000 Catholic Values Index	18.43%	11.93%	8.70%	0.67%	25.18%	29.07%	-21.62%	4.83%
	Bloomberg 3000 Index	17.29%	11.41%	8.54%	1.12%	23.59%	26.10%	-19.61%	4.92%
	<i>Difference</i>	1.14%	0.52%	0.16%	-0.45%	1.59%	2.97%	-2.01%	-0.09%
International	Bloomberg World ex US Catholic Values L/M Index	10.31%	4.63%	1.87%	5.07%	6.55%	15.35%	-16.93%	-2.03%
	Bloomberg World ex US Large & Mid Cap Index	10.36%	4.29%	1.33%	4.67%	6.39%	15.18%	-15.99%	-1.41%
	<i>Difference</i>	-0.05%	0.34%	0.54%	0.40%	0.16%	0.17%	-0.94%	-0.62%
REIT	Bloomberg US 3000 REIT Catholic Values Index	13.02%	1.49%	0.42%	4.81%	5.10%	12.11%	-25.09%	9.99%
	Bloomberg US 3000 REIT Index	14.07%	1.42%	0.43%	5.24%	5.07%	11.34%	-25.02%	9.97%
	<i>Difference</i>	-1.05%	0.07%	-0.01%	-0.43%	0.03%	0.77%	-0.07%	0.02%
*Since 09/09/2021									

Source: Bloomberg

Case Study

Wanting to delve deeper, we looked at two isolated periods to understand performance attribution. Comparing the Bloomberg 1000 Catholic Values Index against the unscreened Bloomberg 1000 Index, the following case study illustrates that the Catholic Values Indexes do experience periodic bouts of over- or under-performance.



Source: Bloomberg

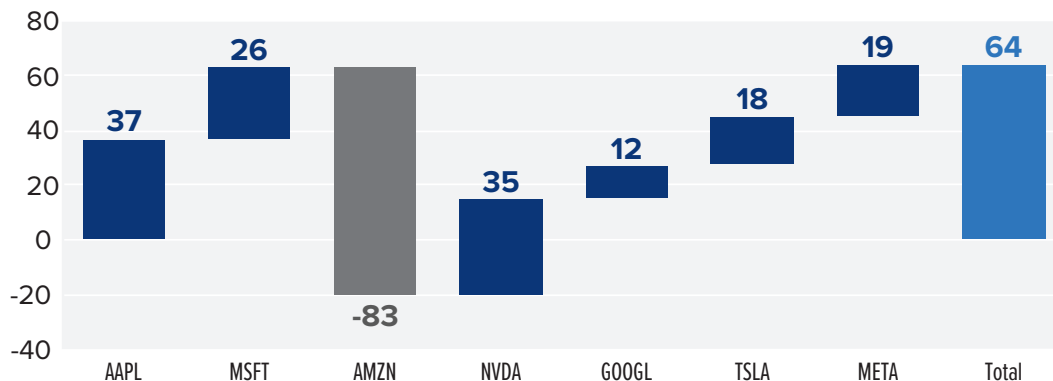
From November 2021 to November 2022, the Catholic Values Index underperformed the Bloomberg 1000 Index by 232 basis points.

- ❖ In this down market, the Bloomberg B1000 declined by 16.45%
- ❖ The majority of underperformance stemmed from Healthcare
 - Healthcare accounted for 247 basis points of underperformance
 - Pharmaceuticals were up 18% for the period
 - Unrestricted Pharma outperformed (+19.6%)
 - The Benchmark weight was the issue: Bloomberg 1000 Catholic Values index only had 35 basis points in weight versus 4.0% of Bloomberg 1000
 - Restricted Healthcare Equipment & Services outperformed
 - These are larger, more stable, higher-quality companies
 - Accounted for more than 550 basis points of weight
- ❖ Catholic Values Index had higher allocations to underperforming Tech and Media stocks
 - 700 basis points more of index weight in groups down 28% or more

However, from December 2022 to June 2023, the Catholic Values Index outperformed the unscreened Bloomberg 1000 Index by 279 basis points.

- ❖ In a strong recovery market, the Bloomberg 1000 was up 16.8%
- ❖ Healthcare & Technology were again swing sectors
 - Catholic Values' lower allocation to Healthcare helped
 - Unrestricted Healthcare (more growthy) outperformed
 - Restricted Healthcare companies declined outright
- ❖ Catholic Values' higher allocation to Tech also helped
 - Catholic Values Index had 500 basis points more weight in Information Technology
- ❖ Higher weight in Magnificent 7² helped, despite not including Amazon (AMZN) in the Catholic Values index (restricted)

Attribution of “Magnificent 7” B1000CV vs. B1000



² The Magnificent 7 are the tech stocks Apple, Amazon, Alphabet, Meta, Microsoft, Nvidia and Tesla.

Summary

On a cumulative basis, some of the Bloomberg Catholic Values Indexes perform above their parent index and some below. This mirrors our experience of managing Catholic strategies over longer periods.

We felt that the analysis of the Bloomberg Catholic Values Indexes against their parent indexes provides a fair comparison without factoring in the active management decisions we make when investing client portfolios or our mutual funds. We also believe that our comparison of the KoCAA index fund relative to its benchmark and the Russell 3000 solidifies the argument that investing according to Catholic Social Teaching does not necessarily require investors to sacrifice returns.

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